

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2004-90-W/S - ORDER NO. 2005-450
AUGUST 25, 2005

IN RE: Application of Total Environmental Solutions,) ORDER GRANTING
 Incorporated (TESI) for Approval of an) MOTION TO SET BOND
 Adjustment of Rates and Charges for Water)
 and Sewer Services.)

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Motion to Set Bond filed by Total Environmental Solutions, Inc. (TESI or the Company), pursuant to S.C. Code Ann. Section 58-5-240(D) (Supp. 2004).

TESI notes that this Commission issued Order Nos. 2004-434 and 2004-574 in this Docket partially granting TESI's request for a rate increase. The Orders granted the subject rate increase in three annual phases. TESI has appealed certain aspects of the two Orders in the Court of Common Pleas for Richland County. Pursuant to S.C. Code Ann. Section 58-5-240(D) (Supp. 2004), TESI will place into effect under bond certain rates addressed in the appeal (the "appeal rates") that are in addition to those approved in the Orders as set forth by the Company during the appeal and until final disposition of this case, including any possible resultant remand.

S.C. Code Ann. Section 58-5-240(D) (Supp. 2004) states as follows: "Such bond must be in a reasonable amount approved by the Commission, with sureties approved by the Commission, conditioned upon the refund, in a manner to be prescribed by order of

the Commission, to the persons, corporations, or municipalities, respectively, entitled to the amount of the excess, if the rate or rates put into effect are finally determined to be excessive; or there may be substituted for the bond other arrangements satisfactory to the Commission for the protection of parties interested.”

TESI states that the annual differential between the appeal rates and the Commission-approved phase 1 rates is \$218,351. The annual differential between the appeal rates and the Commission-approved phase 2 rates is \$109,203. The orders require the phase 2 rates to be placed into effect on December 1, 2005, and the phase 3 rates on December 1, 2006. TESI notes that if the appeal rates had gone into effect on May 1, 2005, they would only have been in effect for seven months during the Commission-approved phase 1 period, and 12 months during the Commission-approved phase 2 period. Thus, the differential between the appeal rates and the Commission-approved rates is $(7 \times \$18,196) = \$127,372 + \$109,203 = \$236,575$. According to TESI, this is the maximum amount of additional revenue that TESI’s appeal rates could possibly generate in excess of the Commission-approved rates.

TESI proposes to post an irrevocable letter of credit from a United States banking institution insured by the Federal Deposit Insurance Company in the amount of \$300,795. This takes the maximum additional revenues, assumes that the appeal will take two years, calculates the interest on the additional revenue stream at 12% (\$42,813.65), and then multiplies that interest result by 1.5. TESI states a belief that this methodology is consistent with the Commission’s past precedent in such bond matters. TESI will also cause to be mailed to each of its affected customers a notice containing the rate

information set forth in Schedule A, which shows the rates TESI will place into effect under bond. TESI also states a belief that this arrangement satisfies the requirements of S.C. Code Ann. Section 58-5-240(D) (Supp. 2004), and that TESI is therefore entitled to place the proposed rates into effect under the described bond.

We have examined this matter, and hold that the statute quoted by TESI requires this Commission to approve the reasonableness of the amount of any such bond, and, also, to approve any sureties. We hold that the amount of the bond proposed by TESI is reasonable. Clearly, in its calculations, TESI has allowed for an amount in excess of the maximum amount of additional revenue that TESI's appeal rates could generate in excess of the Commission-approved rates, since the appeal rates are going into effect after May 1, 2005. Further, the bond amount allows for interest on the additional amount of revenue at the rate of 12%, and adds a multiple of that amount. In addition, a bond backed by an irrevocable letter of credit from a United States banking institution insured by the Federal Deposit Insurance Company is certainly supported by a reasonable surety.

Accordingly, the Motion to Set Bond is granted, and we approve the reasonableness of the amount of the bond and the reasonableness of the surety proposed.

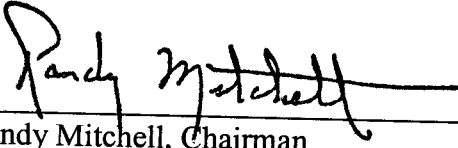
IT IS THEREFORE ORDERED THAT:

1. The Motion to Set Bond is granted as requested. The amount of the bond is reasonable, and the proposed surety is reasonable.
2. TESI shall post a bond in the amount of \$300,795. TESI shall post an irrevocable letter of credit in this amount from a United States banking institution insured by the Federal Deposit Insurance Corporation.

3. TESI shall mail to each of its affected customers a notice containing the rate information showing the rates that TESI will place into effect under bond.

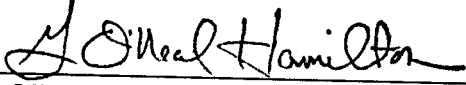
4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Randy Mitchell, Chairman

ATTEST:



G. O'Neal Hamilton, Vice-Chairman

(SEAL)